IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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In re Patent Application of:	Docket No.: 0690001AA
Timothy Gephart Kirkpatrick	
Serial No.: 09/704,303	Group Art Unit: 3624
Confirmation No.: 4931	
Filed: November 2, 2000	Examiner: Lalita M. Hamilton

For: **METHOD AND SYSTEM FOR DISTRIBUTING RECEIVABLES**

Mail Stop: Amendment
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

DECLARATION UNDER 37 C.F.R. §1.131

Sir:

I, Timothy Gephart Kirkpatrick do hereby declare:

1. I am the inventor of the subject matter disclosed and recited in independent claims 1, 2, 34, 38, 39, 40 and 41 of the above-identified application.

2. I completed the invention of claims 1, 2, 34, 38, 39, 40 and 41 (and those claims dependent thereon) in the United States before August 11, 2000, as evidenced below.

CONCEPTION

3. Before August 11, 2000, I conceived of a method and system for determining the distribution of receivables as recited in independent claims 1, 2, 34, 38, 39, 40 and 41 of the application, of which is evidenced by "Record of Invention" attached hereto as Exhibit A and

"Overview" attached hereto as Exhibit B. The Exhibits attached hereto is a photocopy of and is identical to the originals, except that all pertinent dates have been removed therefrom.

4. All pertinent dates removed from the Exhibits attached hereto are before August 11, 2000.

5. As evidenced by the Exhibits a method for determining distribution of receivables includes:

a. forwarding information regarding at least one receivable from a grantor to at least one potential grantee;

b. offering a purchase option to the potential grantee, the purchase option providing the potential grantee the right but not the obligation to purchase the receivable, the purchase option providing the grantor with an obligation to sell the receivable;

c. offering, by the potential grantee to the grantor, an option fee;

d. accepting the option fee by the grantor from the potential grantee, acceptance of the option fee by the grantor constituting an acceptance by the grantor of the purchase option from the potential grantee and thereby providing the potential grantee the right to purchase the receivable at or before the end of an option period; and

wherein the offering a purchase option includes establishing a notification date, the notification date being a date on or before which the potential grantee is required by the purchase option to provide notification to the grantor regarding purchase of the receivable, wherein the option period is a time period that exists

between the accepting the option fee by the grantor and the notification date.

6. In further embodiments, as evidenced by the Exhibits, e.g., Record of Invention and Overview, the method for determining distribution of receivables also includes, for example:

a. forwarding information regarding at least one receivable from a grantor to at least one potential grantee;

b. offering an option to the potential grantee, the option providing the potential grantee the right but not the obligation to acquire the receivable, the option providing the grantor with an obligation to convey the receivable;

c. offering, by the potential grantee to the grantor, an option fee;

d. accepting the option fee by the grantor from the potential grantee, acceptance of the option fee by the grantor constituting an acceptance by the grantor of the option from the potential grantee and thereby providing the potential grantee the right to acquire the receivable at or before the end of an option period; and

wherein the offering an option includes establishing a notification date, the notification date being a date on or before which the potential grantee is required by the option to provide notification to the grantor regarding acquisition of the receivable, wherein the option period is a time period that exists between the accepting the option fee by the grantor and the notification date.

7. In further embodiments, as evidenced by the Exhibits, e.g., Record of Invention and Overview, the method for determining distribution of receivables also includes, for example:

a. forwarding information regarding desired receivables from a grantee to at least one potential grantor;

b. offering a purchase option to the potential grantor, the purchase option providing the grantee the right but not the obligation to purchase the receivables, the purchase option providing the potential grantor with an obligation to sell the receivables;

c. offering, by the grantee to the potential grantor, an option fee;

d. accepting the option fee by the potential grantor from the grantee, acceptance of the option fee by the potential grantor constituting an acceptance by the potential grantor of the purchase option from the grantee and thereby providing the grantee the right to purchase the receivables at or before the end of an option period; and

wherein the offering a purchase option includes establishing a notification date, the notification date being a date on or before which the grantee is required by the purchase option to provide notification to the potential grantor regarding purchase of the receivables, wherein the option period is a time period that exists between the accepting the option fee by the potential grantor and the notification date.

8. In further embodiments, as evidenced by the Exhibits, e.g., Record of Invention and Overview, the method for determining distribution of receivables also includes, for example:

a. forwarding information regarding at least one receivable from a lessor to at least one potential lessee;

b. offering a lease option to the potential lessee, the lease option providing the potential lessee the right but not the obligation to lease the receivables, the lease option providing the lessor with an obligation to lease the receivables;

c. offering, by the potential lessee to the lessor, an option fee;

d. accepting the option fee by the lessor from the potential lessee, acceptance of the option fee by the lessor constituting an acceptance by the lessor of the lease option from the potential lessee and thereby providing the potential lessee the right to lease the receivables at or before the end of an option period; and

wherein the offering a lease option includes establishing a notification date, the notification date being a date on or before which the potential lessee is required by the lease option to provide notification to the lessor regarding leasing the receivables, wherein the option period is a time period that exists between the accepting the option fee by the lessor and the notification date.

9. In further embodiments, as evidenced by the Exhibits, e.g., Record of Invention and Overview, the method for determining distribution of receivables also includes, for example:

a. forwarding information regarding at least one receivables from an assignor to at least one potential assignee;

b. offering an assignment option to the potential assignee, the assignment option providing the potential assignee the right but not the obligation to receive an assignment of the receivables, the assignment option providing the assignor with an obligation to assign the receivables;

c. offering, by the potential assignee to the assignor, an option fee;

d. accepting the option fee by the assignor from the potential assignee, acceptance of the option fee by the assignor constituting an acceptance by the assignor of the assignment option from the potential assignee and thereby providing the potential assignee the right to receive an assignment of the receivables at or before the end of an option period; and

wherein the offering an assignment option includes establishing a notification date, the notification date being a date on or before which the potential assignee is required by the assignment option to provide notification to the assignor regarding receiving an assignment of the receivables, wherein the option period is a time period that exists between the accepting the option fee by the assignor and the notification date.

10. In further embodiments, as evidenced by the Exhibits, e.g., Record of Invention and Overview, the method for determining distribution of receivables also includes, for example:

a. forwarding information regarding at least one receivables from a licensor to at least one potential licensee;

b. offering an license option to the potential licensee, the license option providing the potential licensee the right but not the obligation to receive a license of the receivables, the license option providing the licensor with an obligation to license the receivables;

c. offering, by the potential licensee to the licensor, an option fee;

d. accepting the option fee by the licensor from the potential licensee,

acceptance of the option fee by the licensor constituting an acceptance by the licensor of the license option from the potential licensee and thereby providing the potential licensee the right to receive a license of the receivables at or before the end of an option period; and

wherein the offering a license option includes establishing a notification date, the notification date being a date on or before which the potential licensee is required by the license option to provide notification to the licensor regarding receiving a license of the receivables, wherein the option period is a time period that exists between the accepting the option fee by the licensor and the notification date.

11. In further embodiments, as evidenced by the Exhibits, e.g., Record of Invention and Overview, a computer implemented method for determining distribution of receivables includes, for example:

a. obtaining grantor information regarding at least one receivable from a grantor;

b. obtaining grantee information regarding at least one desired receivable from a grantee;

c. matching the grantee with the grantor, the matching being based on the grantor information and the grantee information;

d. offering an option to the potential grantee, the option providing the potential grantee the right but not the obligation to acquire the receivable, the option providing the grantor with an obligation to convey the receivable to the grantee;

e. offering an option fee from the potential grantee to the grantor;

f. determining acceptance of the option fee by the grantor from the potential grantee, acceptance of the option fee by the grantor constituting an acceptance by the grantor of the option from the potential grantee and thereby providing the potential grantee the right to acquire the receivable at or before the end of an option period; and

wherein the offering an option includes establishing a notification date, the notification date being a date on or before which the potential grantee is required by the option to provide notification to the grantor regarding acquisition of the receivable.

12. The benefits and features of the method and system for determining distribution of receivables are shown and described in the Exhibits.

13. These features and others are exemplified in at least the Record of Invention and Overview, all of which is a complete and permanent idea of the complete and operable invention. All pertinent dates prior to August 11, 2001 have been removed from the Record of Invention and Overview.

DUE DILIGENCE

14. Prior to August 11, 2000, I worked diligently on the invention as recited in the claimed invention, and the subsequent above-identified application until such application was completed on November 2, 2000.

15. During this time, I worked diligently in providing information to McGuireWoods, LLP counsel in order to begin the preparation of a patent application for filing in the U.S. Patent

Office. I worked diligently in providing McGuireWoods counsel the pertinent information relating to the inventive concept which is substantially incorporated in the Exhibits. For example, the pertinent information was communicated at various times to McGuireWoods counsel on or before August 11, 2000 until filing on November 2, 2000.

16. Prior to the filing of the above-identified application in the U.S. Patent Office, I communicated with patent counsel at McGuireWoods, LLP in preparing such patent application based on the Record of Invention and Overview documentation. We worked diligently on the preparation of the patent application with patent counsel at McGuireWoods, LLP until a final draft patent application was completed to our satisfaction. I reviewed and finalized the application for the present invention prior to the filing of the above-identified application. For example, communications took place at least on August 8, 2000 and October 18, 2000 and up to and including the date of filing on November 2, 2000.

17. We worked diligently to finalize the application for filing in the U.S. Patent and Trademark Office from prior to August 11, 2000 to the finalized application on November 2, 2000, as evidenced herein. The patent application was filed in the U.S. Patent and Trademark Office on November 2, 2000.

18. I declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further, that the statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

Timothy Gephart Kirkpatrick   10-15-04
Date

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RECORD OF INVENTION

Inventor: Timothy G. Kirkpatrick
(President of LoanTrade, Inc.)

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Goals for this invention: We plan to use the patent rights in the growth of our own business, as well as license (and eventually possibly sell) the patent rights to others.

What is your invention?

Method and system for offering, prioritizing, and awarding options to purchase severely delinquent or charged-off Receivables ("Receivables").

This invention employs some of the concepts of "options" from the stock/bond/commodities markets and applies/refines them for use as a method by which to sell a pool or pools of Receivables in the secondary market.

We have named this method the "Optional Purchase Commitment" (OPC). The OPC method grants a Buyer the right, but not the obligation, to purchase a future pool or pools of consumer or commercial Receivables from the Seller at a specific price and within a specific time frame. The granting of an OPC may or may not result in the sale of Receivables.

The "Exercise Price" of the OPC may be established via competitive bid or private placement managed by either the Seller or by a third-party (eg. broker) on behalf of the Seller.

Upon the "Commitment Date", the Buyer enters into an OPC contract with the Seller and pays a "Commitment Fee" to the Seller. At that time, payment for the pool or pools at the Exercise Price becomes optional for the Buyer until the earlier of (1) date on which the Buyer delivers notification to Seller of its intent to accept delivery of the subject pool or pools, or (2) the "Notification Date". The Notification Date is the final date stipulated in the OPC contract by which the Buyer may notify the Seller of its intention to accept delivery of the subject pool or pools at the Exercise Price. The Notification Date can be months, years, or any time period following the Commitment Date. The period of time between the writing of the OPC and the Notification Date is known as the Option Period.

On or before the earlier of (1) date on which the Buyer delivers notification to Seller of its intent to accept delivery of the subject pool or pools, or (2) the "Notification Date", the Buyer -- at the Buyer's option -- may or may not choose to provide notification to the Seller of its intent to pay the Exercise Price and take delivery of the pool or pools of Receivables. If the Buyer delivers such notification, the Buyer then becomes obligated to pay the Seller the full Exercise Price for the pool or pools at the time of delivery, as specified in the OPC contract.

If the Buyer fails to deliver notification as specified above, the Buyer loses its right to purchase the pool or pools and forfeits its Commitment Fee to the Seller. If either party fails to perform after the Notification Date set forth in the OPC contract, the non-performing party is subject to substantial financial penalties.

The terms and conditions of the OPC contract stipulate the definitions of sale; the timing and amount of fees and purchase price; methods of delivery; post-sale obligations of Buyer and Seller; representations and warranties of Buyer and Seller; indemnifications; remedies for breaches and violations; assignment; governing law.

OPCs may or may not be assignable in whole or in part to third parties.

Who would use it?

OPCs can be used by any business that owns severely delinquent and/or charged-off Receivables, including (but not limited to) banking institutions, telecommunications companies, medical service providers, public utility companies, manufacturing companies, or consumer service providers; or any business entity that engages in the collection of commercial or consumer Receivables.

How would your invention be made and used?

The OPC is made by applying a prescribed set of principles and required information elements to each proposed Receivables sale event. A Seller would use OPCs to establish an expected amount of incremental fee income while, at the same time, establishing potential purchaser(s)for its accounts. A Buyer would use OPCs to establish future non-binding sources of inventory to purchase at pre-determined price, terms, and conditions.

What are the unique features and benefits of your invention?

(1) While traditional sale processes require the buyer to commit to mandatory purchase at the time of sale, OPCs provide an Option Period during which the purchase is optional for the buyer.

(2) The Option Period provides the buyer with time (not available under traditional sale processes) to assess the viability of exercising the option to purchase and to plan for operational and financial requirements imposed by a purchase and to implement, if necessary, any changes in its operations prior to taking delivery of accounts. Operational processes impacted typically include: staffing, equipment, and workplace location. Financial processes typically include: acquisition of funds at the lowest cost and under the least restrictive conditions to pay for the purchase price or capital expenditures resulting from the planned purchase and/or arranging the simultaneous resale of all or portions of the Receivables to third parties.

(3) In exchange for the seller's willingness to grant the Option Period to buyer, the seller is paid a commitment fee by buyer. Traditional charge-off sale processes do not provide for payment of a commitment fee. Whether or not the buyer exercises or fails to exercise its option to purchase, the seller is entitled to retain the commitment fee thus earning fee income otherwise not obtainable in traditional sale transactions.

Special note:

This method was conceived by Tim Kirkpatrick -- President of LoanTrade -- i d presented to two potential business partners in Citibank Universal Card Services, and First USA Bank.

While Citibank declined to participate, First USA Bank decided to partner with LoanTrade and implement Optional Purchase Commitments (OPCs) to sell selected pools of charged-off receivables (see enclosed samples of meeting documents and marketing materials). The OPC concept was formally announced to the industry in a Debt Sales Bulletin article on (see enclosed press release).

To our knowledge, the OPC method has not been used elsewhere in the industry, either before or after its introduction by LoanTrade late last year.

This may be due -- in part -- to the fact that these processes are not obvious and are difficult to implement without substantial and specific expertise, guidance, and instruction.

Overview
Mandatory and Stand-By Forward Commitment Programs

Efficient recovery management means cost effectively maximizing recovery dollars while maintaining predictable cash flow. LoanTrade's Forward Commitment Program provides the Recovery Manager with new tools to achieve these goals.

LoanTrade offers two new hedging and income enhancement programs to Recovery Managers who are currently sellers of charged-off accounts *or* who are prepared to sell charge-offs under optimal circumstances.

Historical Perspective
Before Recovery Managers sold portfolios of charge-offs, their primary methods of collection were the use of internal resources or third parties collectors. As the *cash sales market* developed, Sellers soon found it was possible to reduce or minimize their internal recovery overhead and obtain attractive cash prices. The combination of these two factors has, in many cases, made charge-off sales a more cost efficient method of recovery than traditional reliance on internal or third party collectors. As the charge-off sales market has developed, more and more contingent collectors have become new buyers. Now, there are virtually thousands of potential buyers of charged-off accounts. The Recovery Manager's risk associated with relying on sales alone is diminishing rapidly as new buyers enter the market.

Timing and Risk
The timing of most sales typically coincides with predetermined recovery department budgets, which in turn are often dictated by corporate income reporting goals. While year-end or quarter-end sales events are commonplace, the entry of more Sellers into the market make the timing of sales more important and problematic. Often times, Sellers consciously avoid a year-end or quarter-end sales event because of the glut of product and lower price expectations. This *avoidance syndrome*, however, reduces the Recovery Manager's ability to *time* revenues precisely while maximizing pricing. Compounding timing risk, large individual portfolio sales bear the risk of *event failure*.

LoanTrade's Forward Commitment Programs
LoanTrade's Mandatory and Stand-By Forward Commitment Programs recognize the Recovery Manager's ability to predict future charge-off volume as a *strength* that can be effectively leveraged. Further, these programs when used exclusively, simultaneously or in combination with normal cash sales provide budgetary insurance while enhancing future revenue through better prices and incremental fee income.

Each program is unique and presents both the Seller and the Buyer with distinct advantages. **When structured properly, either program is mutually beneficial to both parties.**

Mandatory Delivery Commitments ("Mandatory")

A Mandatory gives the Buyer the right, not the obligation, to buy a portfolio of charge-offs with predetermined characteristics for a fixed price and at a specified date in the future. The *exercise price* of the portfolio is established through a *competitive bid process* managed by LoanTrade. Purchase of the portfolio is optional for the Buyer. However, if the Buyer notifies the Seller of its intention to purchase on or before the Notification Date, the sale and purchase of the portfolio becomes mandatory to both the Buyer and the Seller. The Buyer pays the Seller a Commitment Fee for the Seller's willingness to deliver upon request. Failure to perform by either party will result in a payment of a predetermined Non-Compliance Fee.

Principal Advantages to Seller- Mandatory Commitments

✓ Programmed forward sales to several Buyers through Mandatory Commitments can provide substantial incremental fee income.

✓ Higher than cash market price for portfolio likely because:

- *The Buyer can pay more because it can plan ahead.* This fact gives the Buyer the ability to obtain the most optimal (lowest cost, least restrictive, most flexible) financing well in advance of actual acquisitions thereby eliminating the uncertainty associated with future acquisitions. In addition, the Buyer can plan and maintain the most efficient staffing levels possible.

- Buyer has the Option Period (3-6-9-12 months) to plan its recovery and/or resale strategy and it has the flexibility to sell/assign its position in the Mandatory Commitment to any subsequent Buyer that has been *prior approved* by the Seller. Resale strategies of Buyers are already prevalent and an essential consideration in their pricing decisions.

  Typical *resale transactions* involve the sale of smaller pools at higher prices than originally paid to the Seller. LoanTrade's Mandatory program enables a Buyer to retain a portion of the acquired inventory and pre-sell the remaining portion at prices high enough to offset all or a portion of the purchase price to be paid for the retained inventory! For these reasons, the Mandatory Commitment becomes a very valuable commodity in the hands of the Buyer! **Buyers will competitively bid higher portfolio prices under LoanTrade's Mandatory program than in a traditional cash competitive bid sale.**

Example of a Mandatory Sales Strategy:

January 1st.	Seller knows it will produce and sell a total of $1 billion of fresh charge-offs during the next 12 months. Seller decides on a strategy to sell half the portfolio ($500 million of product) *at then* current cash prices and hedge the other half (and lock in firm pricing) by selling **Forward Mandatory Commitments** to deliver $166 million at the end of each quarter beginning with June delivery. Seller hires LoanTrade Inc. to assist in establishing and marketing the Commitment program. Seller's budgetary pricing expectations are that it will receive an average price of 11% for its cash sales.
February 1st	LoanTrade conducts a competitive bid on behalf of Seller seeking Buyers of Mandatory Forward Commitments for deliveries in June, September and December and locks in average Forward Mandatory Prices of 12.65% from three qualified buyers (15% better than comparable cash pricing).
May 15th (Notification Date)	Following Buyer's failure to notify Seller of its intention to purchase on June 30th, Seller retains the Commitment Fee ($166,000). Because it was having a good recovery quarter and was not pressed for additional cash flow, Seller elected to forgo a rushed cash sale for June at 11% and instead, instructed LoanTrade to sell *another* Mandatory for September at a price of 12.65% and earn another Commitment Fee.
August 16th (Notification Date)	Both Buyers notify Seller of their intention to take delivery.
September 29th (Delivery/Funding Date)	Seller delivers $332 million to two Buyers.
November 16th (Notification Date)	Seller receives Buyer's notification of its intent to purchase the remaining $166 million.
December 31st (Delivery/Funding Date)	Seller delivers the final $166 million.

In this scenario, the Seller has earned $1,049,950 in Commitment Fees plus $8,250,000 more than it would have if it had sold its accounts for a market price of 11.0%! Further, its sale timing coincided with its second quarter-end and year-end recovery projections. Taking advantage of strong second quarter recoveries, it avoided having to sell at lower cash prices and earned a substantial Commitment Fee.

Standby Delivery Commitments ("Standby")

A Standby gives the seller the right, not the obligation, to sell a portfolio of charge-offs with predetermined characteristics for a fixed price and at a specified date in the future. The price of the portfolio is established through a competitive bid process managed by LoanTrade. Delivery of the portfolio is optional for the Seller. However, if the Seller notifies the Buyer of its intention to sell on or before the Notification Date, the sale and purchase of the portfolio becomes mandatory to both the Buyer and the Seller. The Seller pays the Buyer a Commitment Fee for the Buyer's willingness to *standby* for delivery. Failure to perform by either party will result in a payment of a predetermined Non-Compliance Fee.

Advantages to Seller- Standbys

- ✓ Programmed sales to several buyers through Standbys smooth out the sales revenue stream throughout the Seller's fiscal year and minimize event failure.
- ✓ Standbys establish a fixed floor price thereby enabling the Seller to take advantage of more profitable cash sales opportunities arise during the commitment period.
- ✓ Standbys enable the Seller to *time* the receipt of revenues more closely to quarter-end or year-end dates, and
- ✓ Higher than cash market price for portfolio likely because:
  - The Buyer, while not certain the Seller will actually deliver, stands first in line to acquire a fixed amount of Seller's product under predetermined terms and conditions.
  - The Buyer has the Option Period (3-6-9-12 months) to plan its recovery and/or resale strategy and it has the flexibility to sell/assign its position in the Standby Commitment to any subsequent Buyer that has been *prior approved* by the Seller. Resale strategies of Buyers are already prevalent and an essential consideration in their pricing decisions.

Example Standby Transaction:

January 1st	Seller knows it will produce and sell a total of $1 billion of fresh charge-offs during the next 12 months. Seller decides on a strategy to sell half the portfolio ($500 million of product) *at then* current cash prices and hedge the other half (and lock in firm pricing) by selling Forward Standby Commitments to deliver $166 million at the end of each quarter beginning with June delivery. Seller hires LoanTrade Inc. to assist in establishing and marketing the Commitment program. Seller's budgetary pricing expectations are that it will receive an average price of 11.0% for its cash sales.
February 1st	LoanTrade conducts a competitive bid on behalf of Seller seeking Buyers of Standby Commitments for deliveries in June, September and December and locks in average Forward Mandatory Prices of 12.65% from three qualified buyers (15% better than comparable cash pricing).
May15th (Notification Date)	A large, new and aggressive cash Buyer contacts Seller and Seller privately negotiates the sale of the $166 million inventory scheduled for June Standby delivery at a cash sale price of 13.0%! Seller fails to notify the Standby Buyer of intention to deliver, forfeits its Commitment Fee (1.0% of Purchase Price), and, instead, delivers the inventory to the new Buyer at 13.0%.
August 16th (Notification Date)	Seller notifies Buyer of its intention to deliver on September 29th.
September 29th (Delivery/Funding Date)	Seller delivers $166 million to Buyer.
October 1st	Seller is offered an immediate opportunity to sell $100 million for 12.85%. Seller elects to sell immediately at 12.80% hoping that it will have enough inventory to make up any shortfall in meeting its December Standby delivery.
November 16th (Notification Date)	Seller is able to produce enough inventory and notifies Buyer of its intent to deliver the remaining $166 million buy filling shortfall with product scheduled for normal cash sales.
December 31st (Delivery/Funding Date)	Seller delivers the final $166 million.

In this scenario, the Seller paid $1,054,167 in Commitment Fees to cover budged sales at 12.65%. In May, the Seller was able to take advantage of a positive cash sale market opportunity to sell the $166 million scheduled for Standby delivery to a new Buyer in June at a price that is .35% ($583,333) *greater* than its Standby strike price! Forfeiting its Commitment Fee ($133,200) was an easy decision. Another marketing opportunity occurred in October that enabled the Seller to fill unanticipated cash sale order for $100 million at 12.80%. By using inventory scheduled for normal cash sales at 11.00%, Seller was able to make its December Standby delivery without forfeiting its Commitment Fee. **LoanTrade's Standby Delivery program not only provided the Seller with floor pricing insurance throughout the year at 1.65% greater than budgeted straight cash sales, it generated $4,45,833** (Gross Profit $5,500,000 – Commitment Fees paid $1,054,167) **more than its annual cash sales even taking into consideration the two great cash sale marketing opportunities!**

Forward Commitments – Important Facts:

1. ***Underlying Portfolio***

- Predetermined Amount (+/- 5%) and selection criteria determined up-front in Commitment.
  - Deliverable accounts will be non-adversely selected.
  - Demographics will include originator source; aging; location, data quality elements, etc. (within tolerance ranges).

2. ***Type of Commitment- Definition:***
   - **Forward Mandatory Commitment**
     A Forward Mandatory Commitment gives the Buyer the right, not the obligation, to buy the portfolio of charge-offs at a fixed price and at a specified date in the future.
   - **Forward Stand-By Commitment**
     A Forward Stand-By Commitment gives the seller the right, not the obligation, to sell the portfolio of charge-offs for a fixed price and at a specified date in the future.

3. ***Portfolio Purchase Price***
   - Established by competitive bid.
   - Seller is paid cash on the Delivery Date.

4. ***Commitment Fee***
   - Based upon Purchase Price
   - One half of one percent per quarter (.5%) – maximum term of 12 months.
   - Non-refundable, not applicable.
   - Forward Mandatory Commitment:
     - The Buyer pays Commitment Fee.
     - If Buyer fails to notify Seller of its intention to purchase the portfolio on or before the Notification Date at the Commitment Purchase Price on the Purchase Date, the Seller retains the fee and is released from any obligation to sell the portfolio.
   - Forward Stand-By Commitment:
     - The Seller pays the Commitment Fee.
     - If Seller fails to notify Buyer of its intention to sell the portfolio on or before the Notification Date, the Buyer retains the Commitment Fee and is released from any obligation to purchase the portfolio.

5. ***Notification Date***
   - 45 days prior to Delivery Date.
   - Forward Standby: Date Seller notifies Buyer of its intention to deliver charge-offs for sale.
   - Forward Mandatory: Date Buyer notifies Seller of its intention to take delivery and fund sale.

6. ***Delivery/Funding Date***
   - Date portfolio delivered by Seller to Buyer and Buyer pays the Purchase Price.

7. **Assignment of Commitments**
   - Commitments are assignable by Buyer with Seller's prior written consent.
   - Seller's prior written consent will not be unreasonably withheld.
   - Seller may limit assignment to a fixed number of assignees
   - Seller will, at Buyer's request, agree to review and make its decision within 10 business days.

8. ***Non-Compliance Fee***
   - 20% of purchase price
   - Forward Standby: Applicable to Seller if Seller does not deliver after giving notice to Buyer.
   - Forward Mandatory: Applicable to Buyer if Buyer does not fund after giving notice to Seller.